



Reforms: Staying the Course

SECRETARY GARY B. TEVES
Department of Finance



Presentation Outline

I. Progress Update

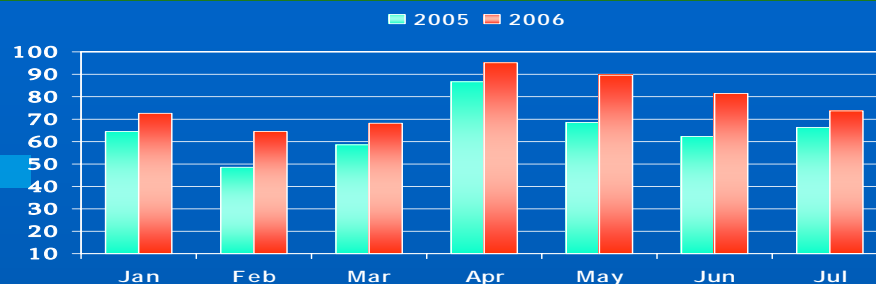
II. Immediate Challenges

III. Continuing Priorities



Progress Update

- Jan-Jul 2006 collections higher by 19.7%

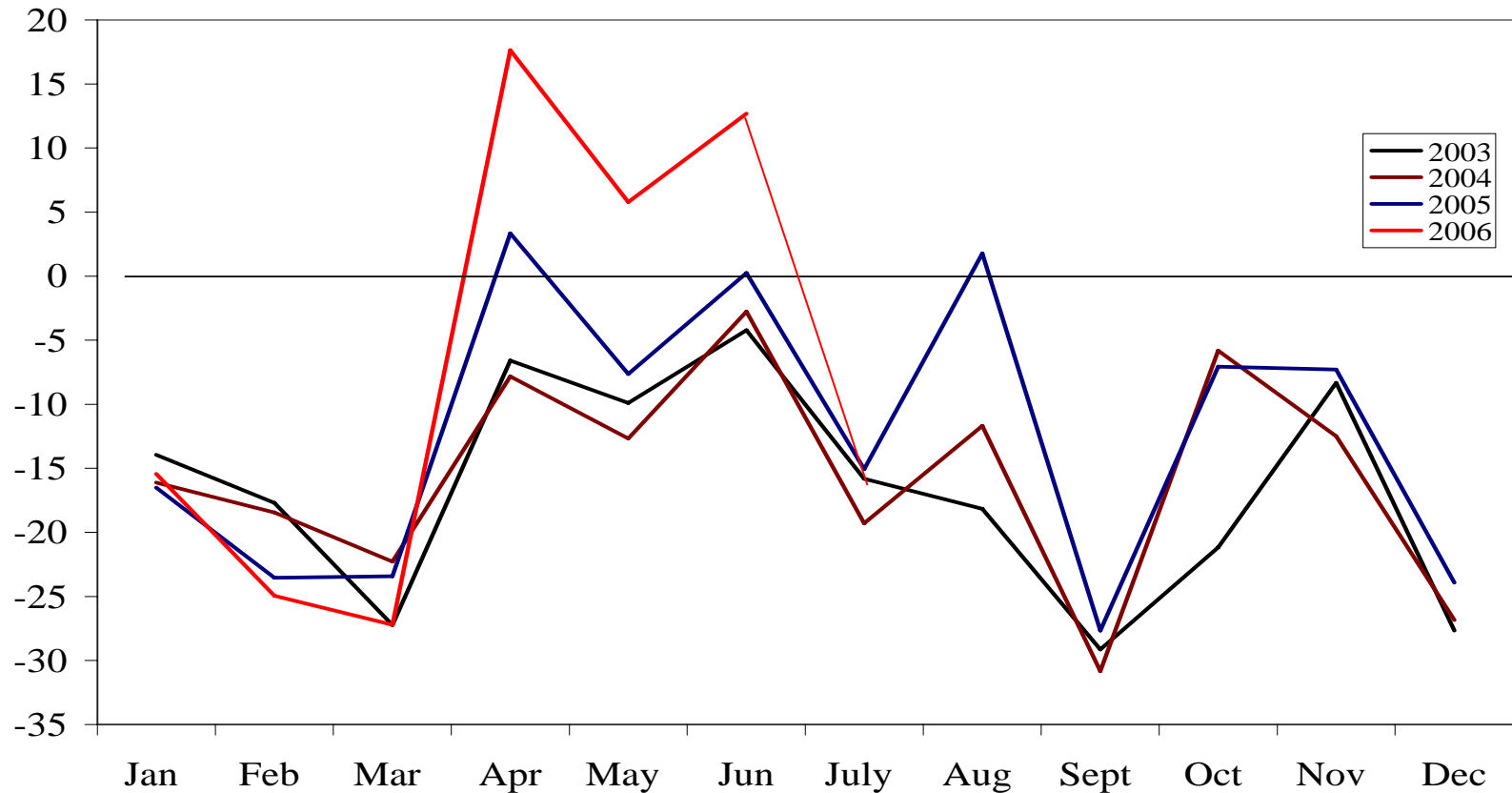


(In Billion Pesos)	Jan - Jul Actual		Growth Rate %
	2005	2006	
Revenues	<u>455.2</u>	<u>544.7</u>	<u>19.7</u>
BIR	<u>301.9</u>	<u>367.3</u>	<u>21.7</u>
Operations	281.1	348.0	23.8
Inc. Tax on gov't securities	20.8	19.3	(7.2)
BOC	<u>82.9</u>	<u>111.1</u>	<u>34.1</u>
BTr Income	<u>43.7</u>	<u>41.5</u>	<u>-5.1</u>
Other Offices	<u>26.7</u>	<u>24.8</u>	<u>-7.1</u>
Expenditures	<u>537.8</u>	<u>593.2</u>	<u>10.3</u>
Surplus/(Deficit)	<u>(82.6)</u>	<u>(48.5)</u>	<u>-41.2</u>



• Fiscal Balance on Track

Surplus/Deficit Jan 2003 - Jun 2006 (monthly, in billion pesos)



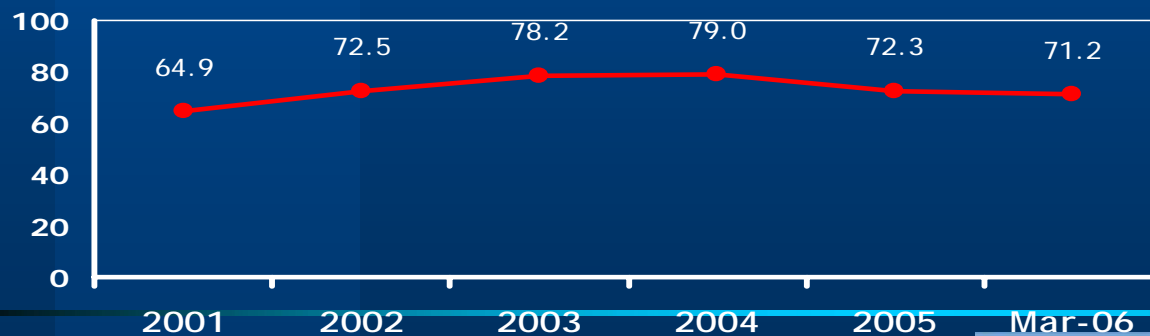
Q1 2006 Consolidated Public Sector Financial Position

(In Billion Pesos)	2005	2006		Variance vs Program	Percent Change
	Jan-Mar	Jan-Mar			
	Actual	Program	Actual		
Total Surplus/(Deficit)	(51.1)	(77.1)	(33.2)	43.9	-35.0
<i>% of GDP</i>	<i>-4.2%</i>	<i>-5.7%</i>	<i>-2.4%</i>		
NG	(63.5)	(71.8)	(67.6)	4.2	6.5
CB Restructuring	(4.3)	(4.8)	(3.4)	1.4	-20.9
14 MNFGCs	(8.4)	(18.5)	1.9	20.4	-122.6
SSIs	11.3	8.8	12.3	3.5	8.8
BSP	3.4	0.3	(1.9)	-2.2	-155.9
GFIs	1.8	1.3	0.5	-0.8	-72.2
LGUs	5.4	2.2	20.2	18.0	274.1
Adjustments	3.2	5.5	4.8	-0.7	50.0



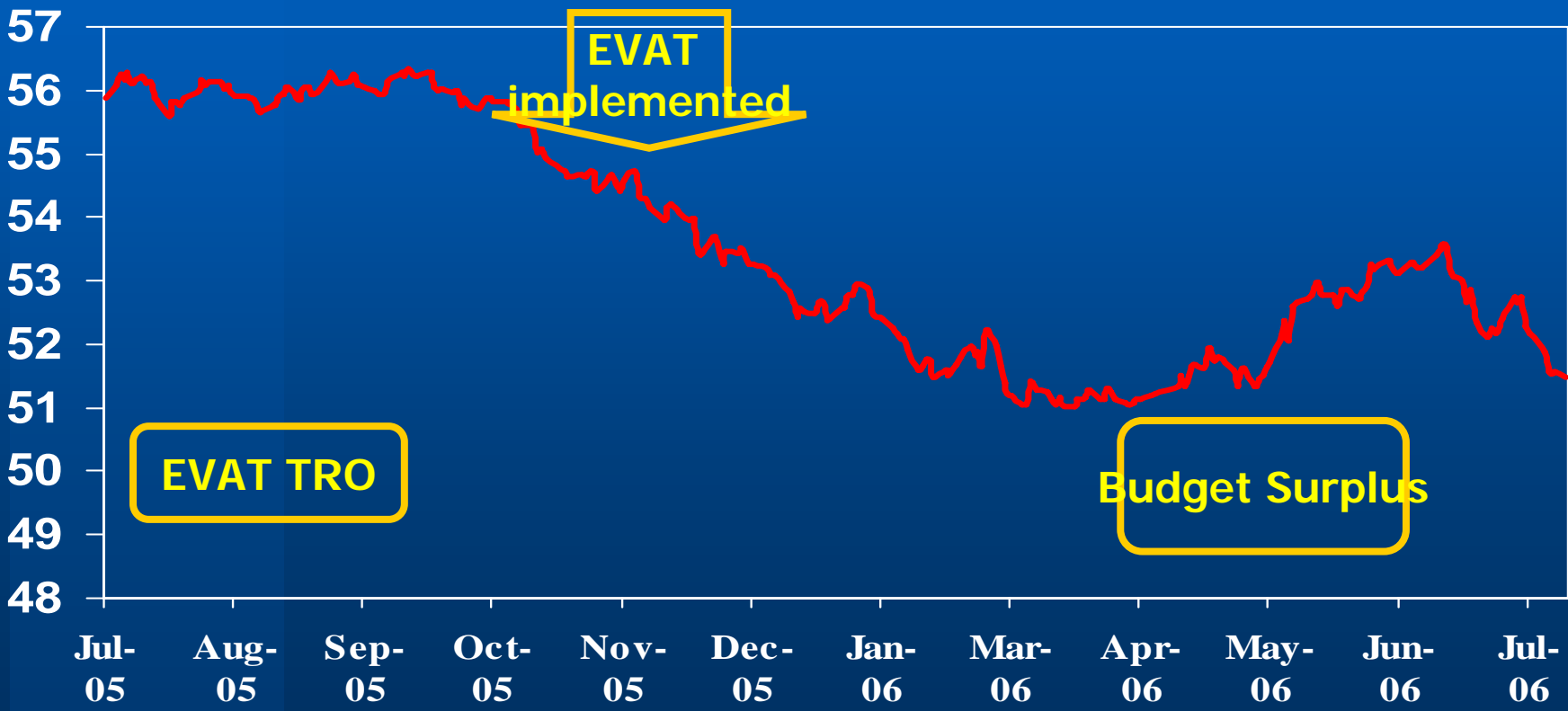
• Stabilizing NG debt

<u>(In Billion Pesos)</u>	Jan - May	
	2005	2006
NG Outstanding Debt	<u>3,888.8</u>	<u>4,017.1</u>
Domestic	2,062.6	2,172.1
Foreign	1,826.2	1,845.0
NG Contingent Debt	<u>604.2</u>	<u>591.9</u>
Domestic	39.0	48.1
Foreign	565.2	543.8

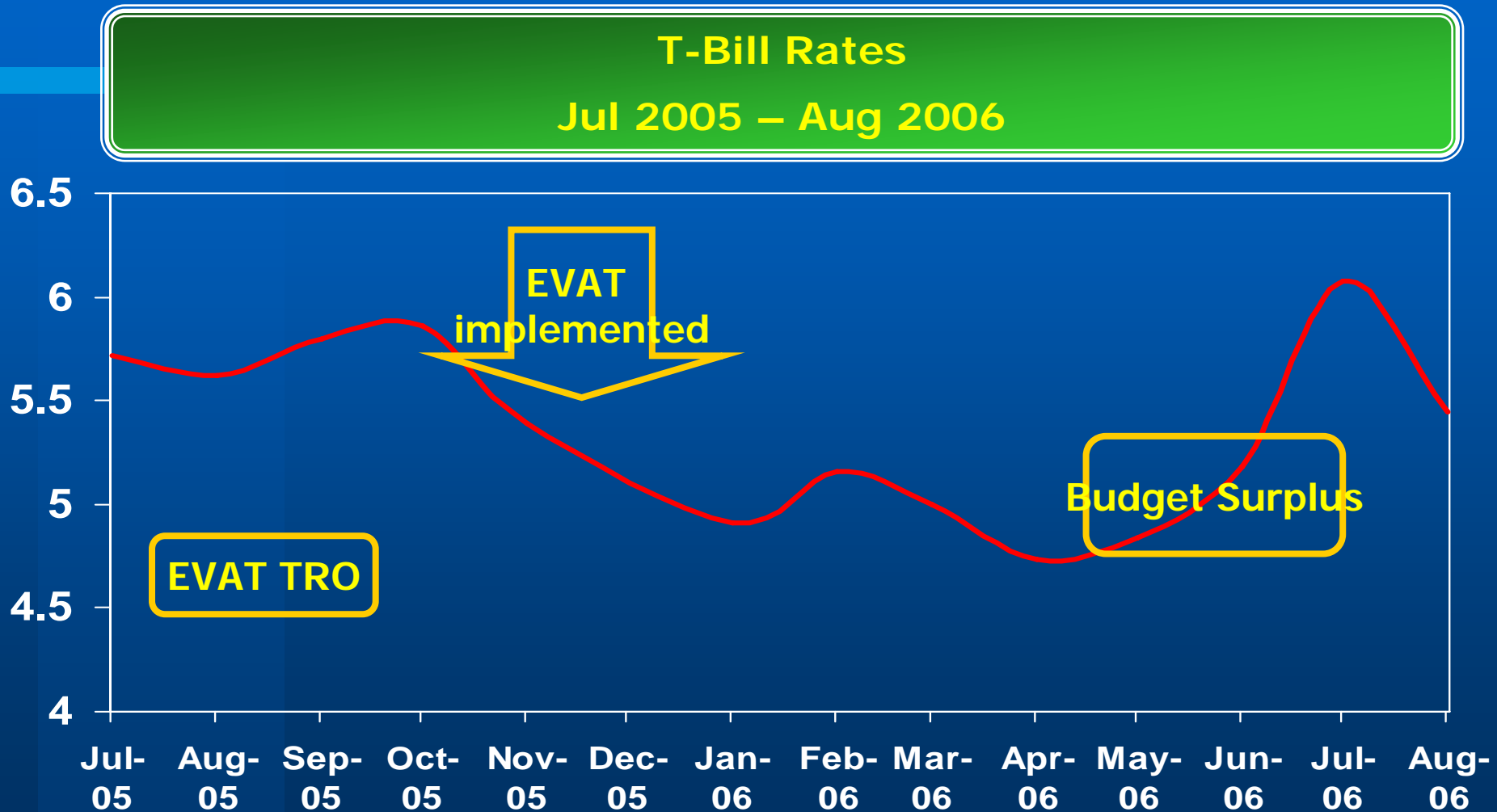


- Stable fiscal sector gets market confidence

Peso-Dollar Rate
Jul 2005 – Jul 2006

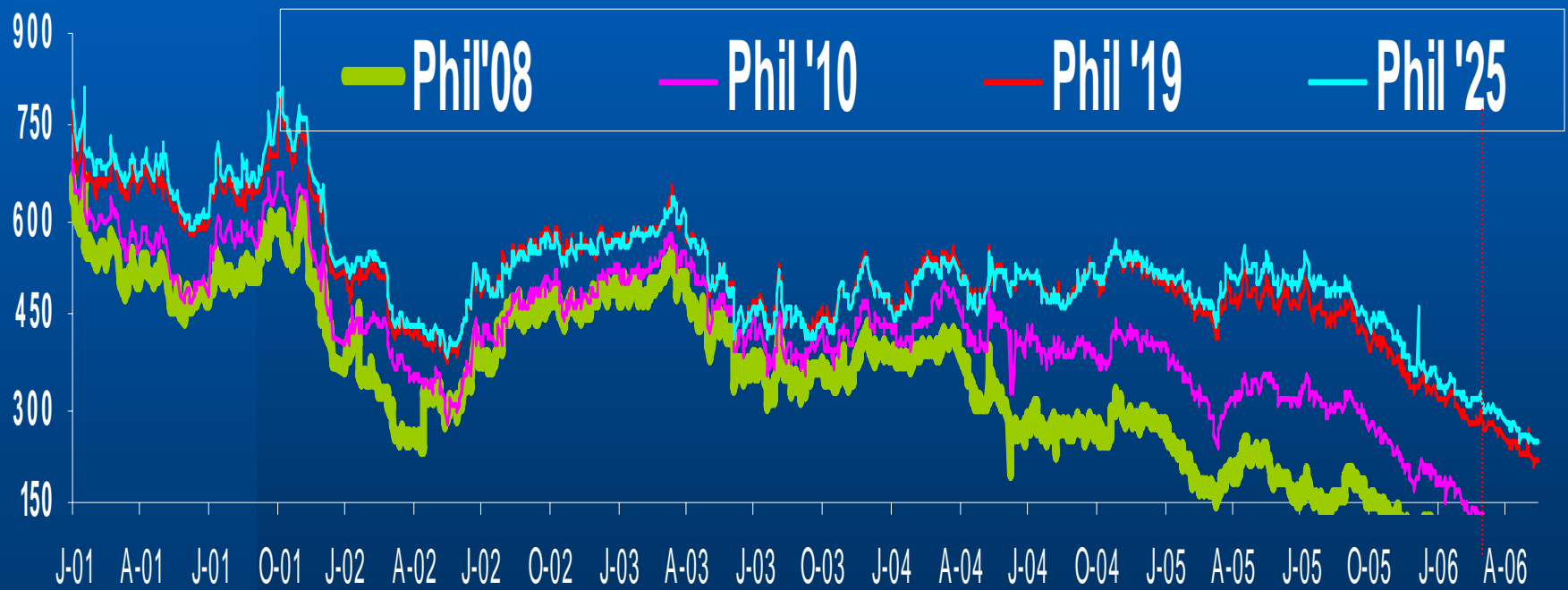


- Stable fiscal sector gets market confidence



- Stable fiscal sector gets market confidence

ROP Sovereign Spreads
Jan '01 – May '06



Immediate Challenges

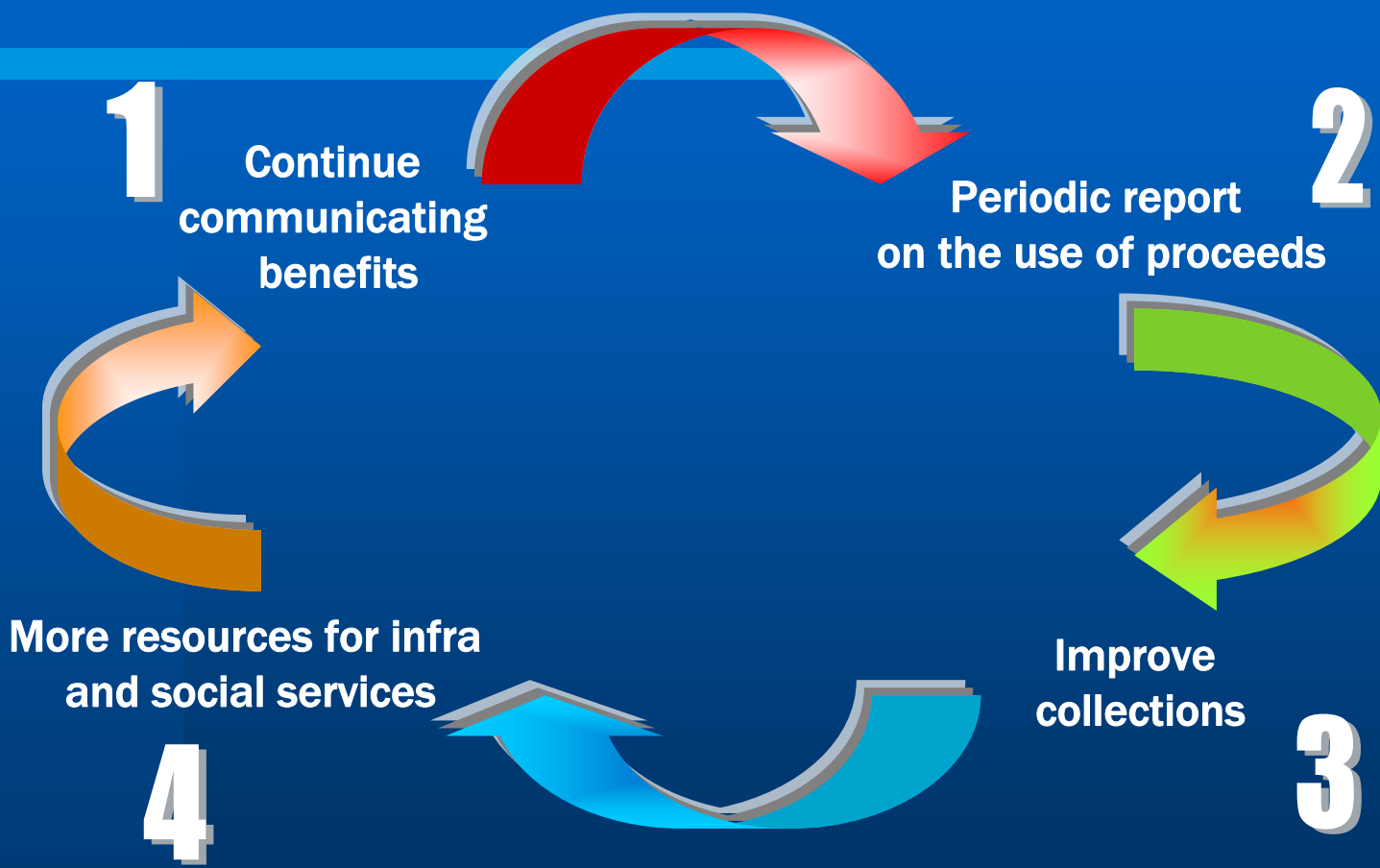
- **Sustain improvements in tax collection**
 - **Intensify collection performance**
 - **BIR and BOC Action Plans to enhance collection Efficiency**
 - **Strengthen governance measures**
 - Revenue Integrity Protection Service (RIPS)
 - Run After Tax Evaders (RATE)
 - Run After The Smugglers (RATS)
 - **Fully implemented Lateral Attrition Act**

• National Government Revenue Program

(In Billion Pesos)	2006 Program	2007 Program
Total Revenues	975.6	1,118.8
<i>% of GDP</i>	16.3%	16.7%
Tax Revenues	881.6	1,028.2
<i>% of GDP</i>	14.7%	15.4%
BIR	675.4	784.1
BOC	197.6	235.1
Others	8.6	9.0
Non-Tax	94.0	90.6
BTr Income	51.9	53.5
Privatization	0.5	0.5
Others	41.6	36.6
Expenditures	1,100.5	1,181.8
Surplus/(Deficit)	(124.9)	(63.0)
<i>% of GDP</i>	-2.1%	-0.9%

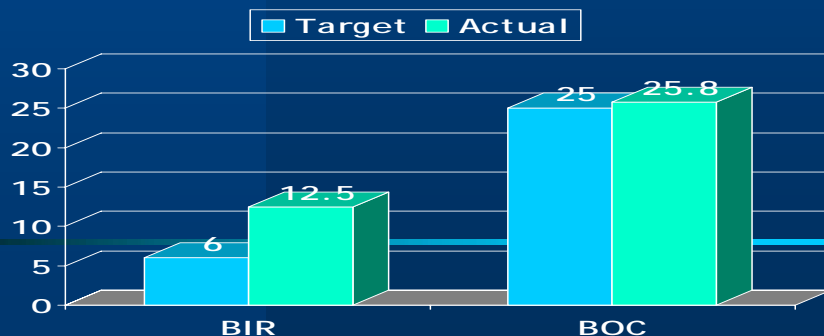


- Implemented transparency in the use of taxes





• RVAT Collections

(In Billion Pesos)	Full Year Program	Jan-Jun 2006		
		Target	Actual	Diff
BIR	19.8	6.0	12.5	6.4
BOC	56.1	25.0	25.8	0.8
Total	75.9	31.0	38.3	7.2



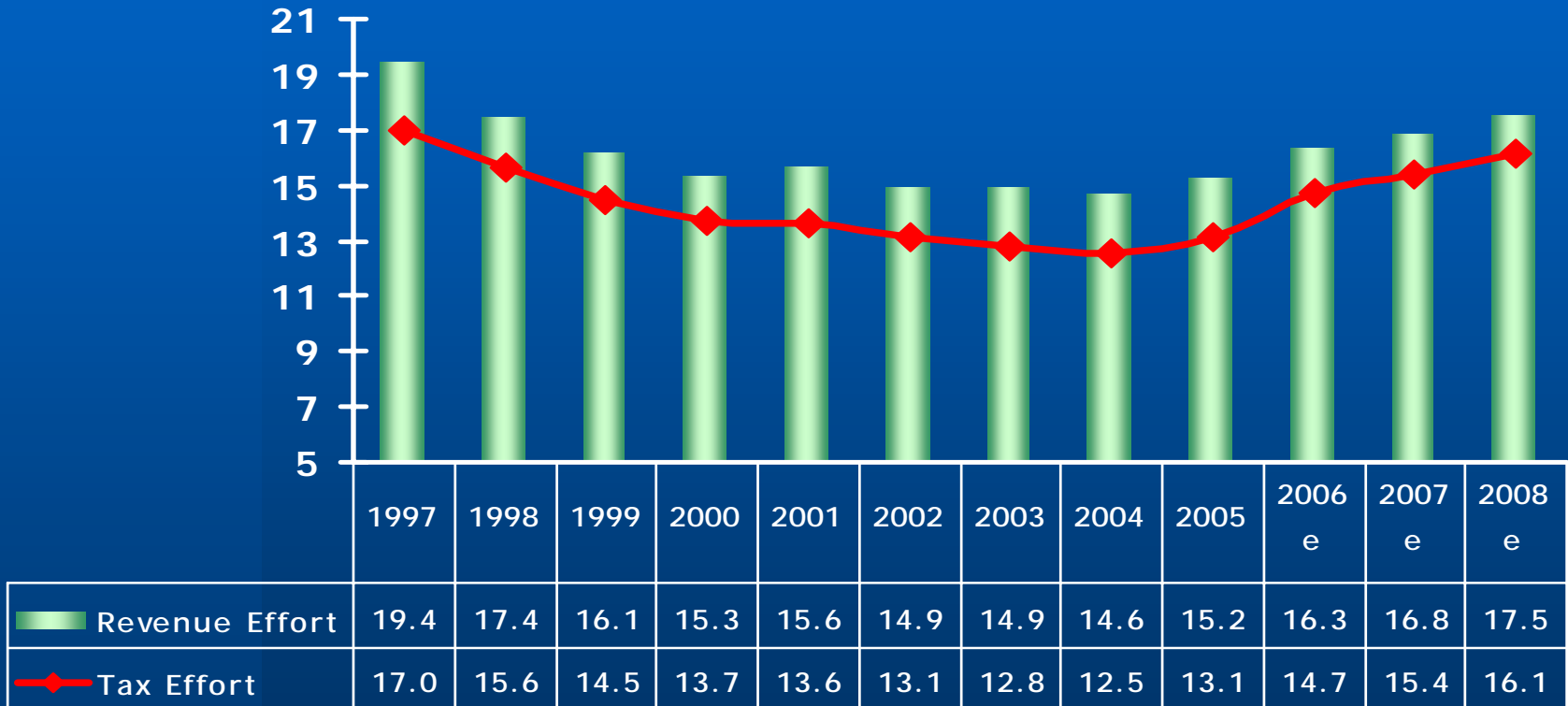
Utilization of R-VAT

(In Million Pesos)	Total Allotment Releases
<p>I. Social Services</p> <p><i>Including</i></p> <p>Textbooks </p> <p>School feeding program</p> <p>Health insurance subsidy</p> <p>Hospital assistance</p>	<p>6,676.7</p> <p>490.2</p> <p>1,528.3</p> <p>1,000.0</p> <p>541.0</p>
<p>II. Infrastructures</p> <p><i>Including</i></p> <p>School buildings </p> <p>Hospital construction/repair</p> <p>LRT Line 1 extension</p>	<p>1,898.1</p> <p>252.0</p> <p>66.0</p> <p>500.0</p>

- **Strengthen GOCC performance oversight**
 - Institute performance contracts
- **Pursue proactive liability management**
 - Increase share of domestic financing
 - Lengthen maturity profile
 - Maximize ODA financing
- **Develop the domestic capital market**
 - Legislative Measures: PERA Bill, Insurance Code, Pre-Need Code
 - Improve market infrastructure

Continuing Priorities

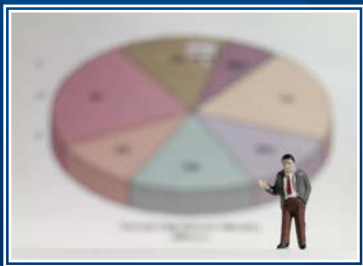
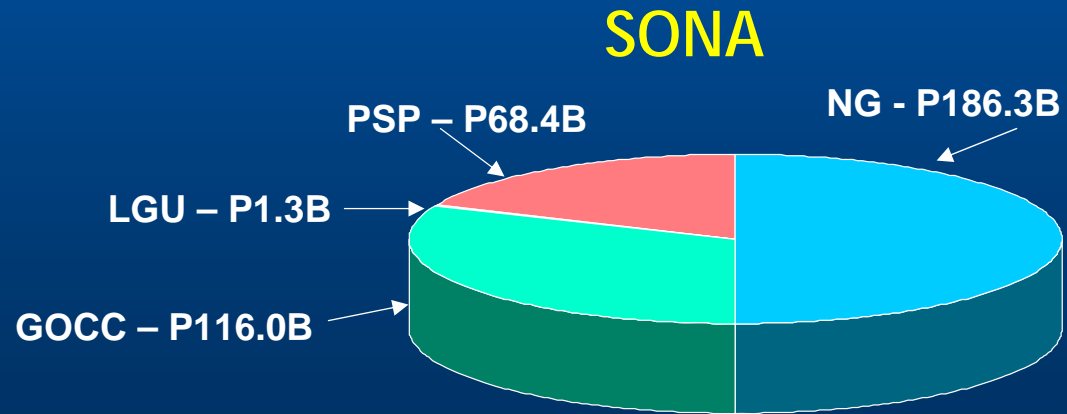
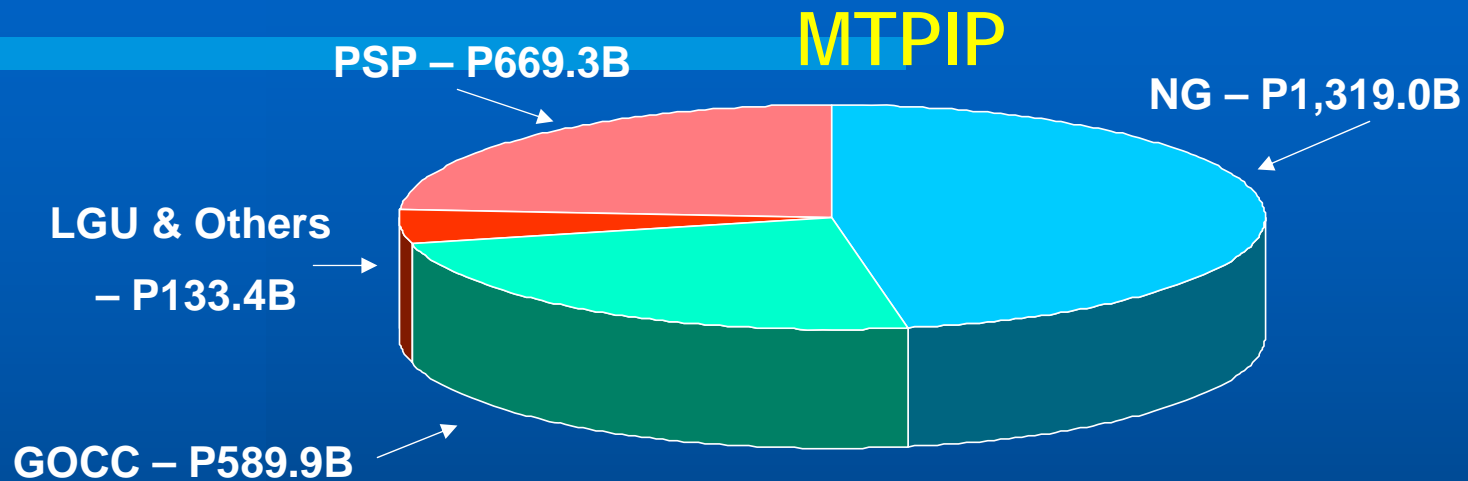
- Improve tax and revenue efforts



Revenue Effort Tax Effort

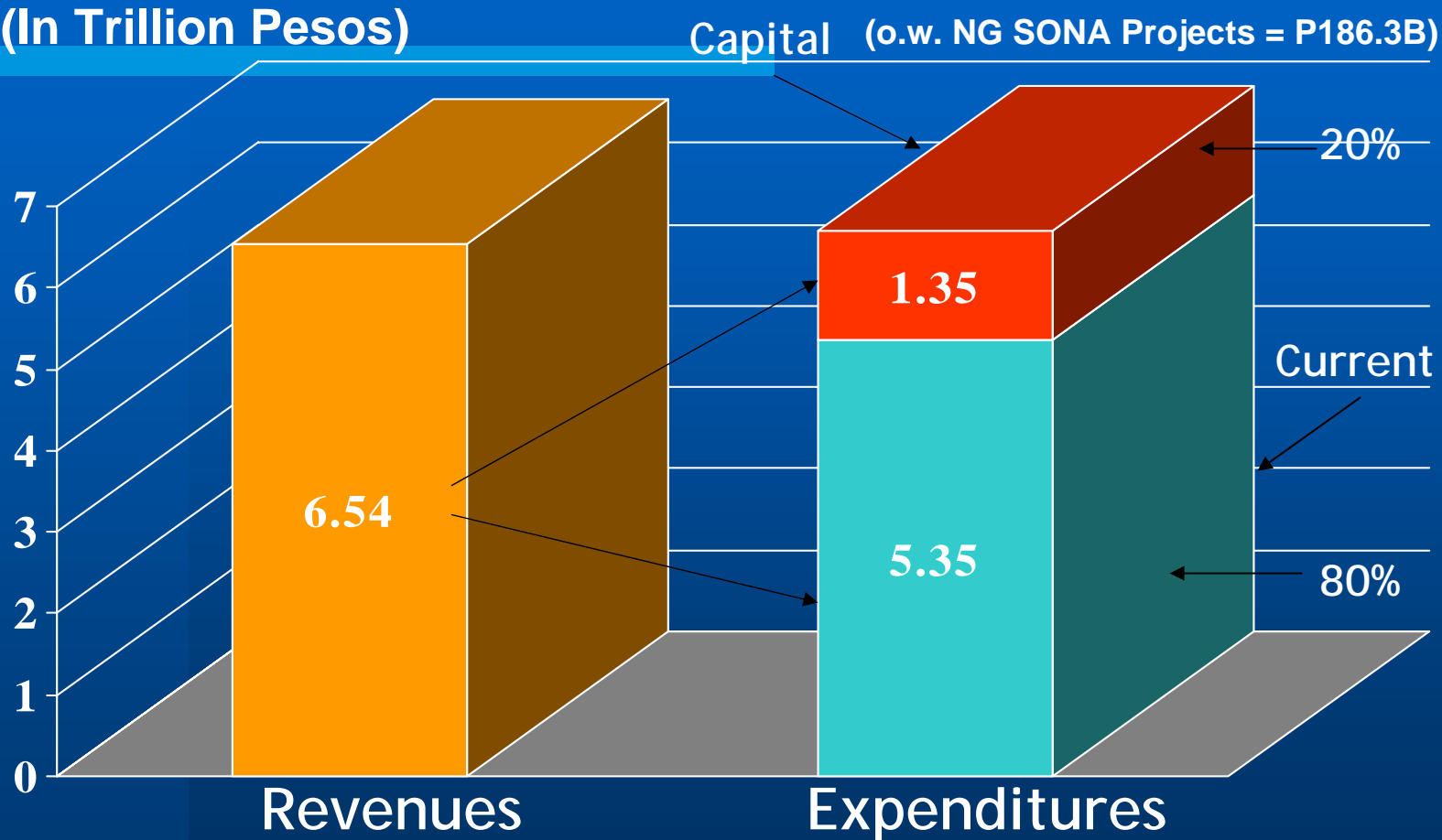


• Increase infrastructure spending



• Fiscal Scenario, 2006 - 2010

(In Trillion Pesos)



- Funding for SONA projects

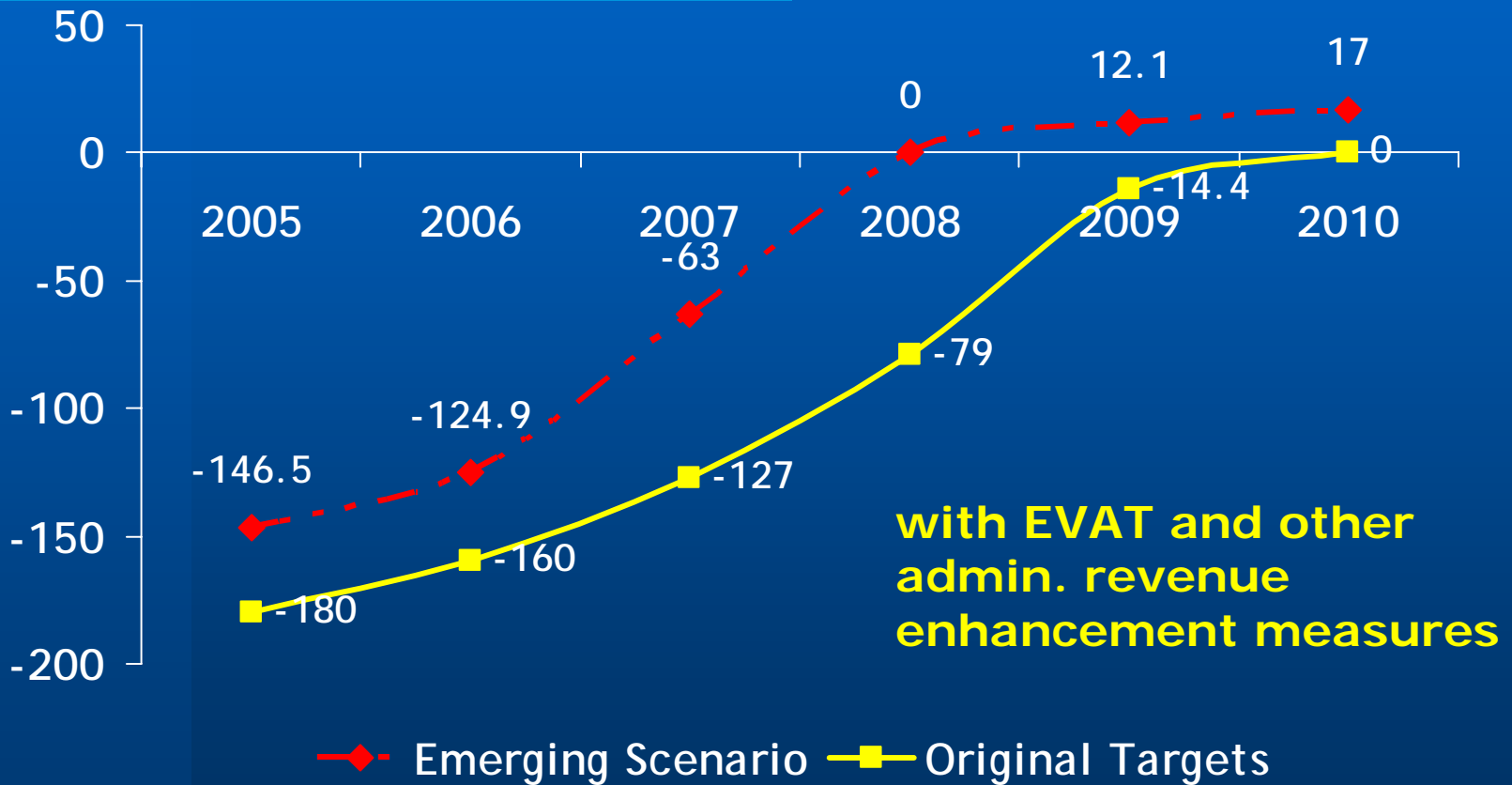


SONA Projects
P372.0 B
(of which NG P186.3 B)

MTPIP Projects
P928 B

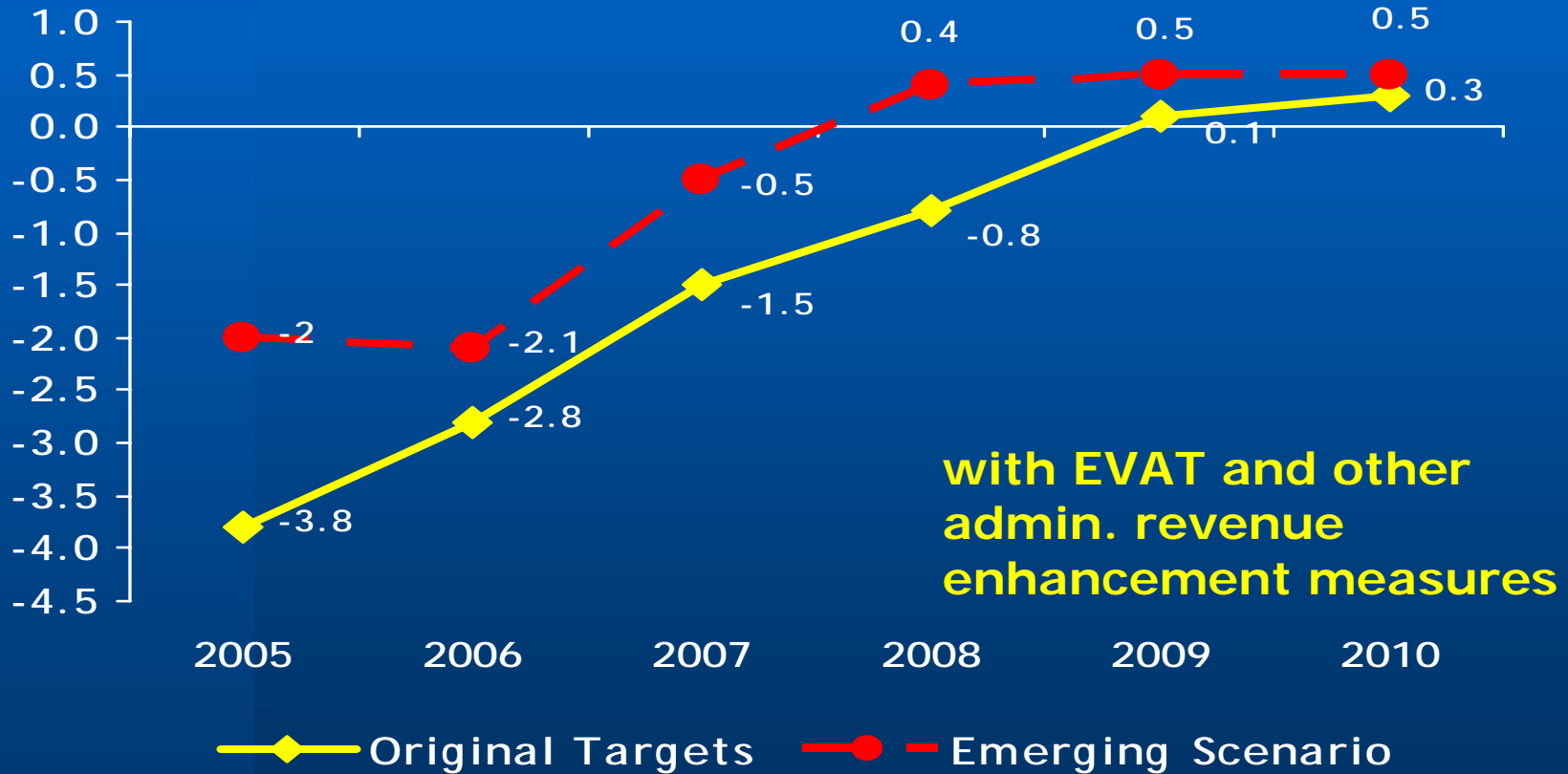
- Balanced budget by end-2008

P Billion



• CPSD surplus by end-2008

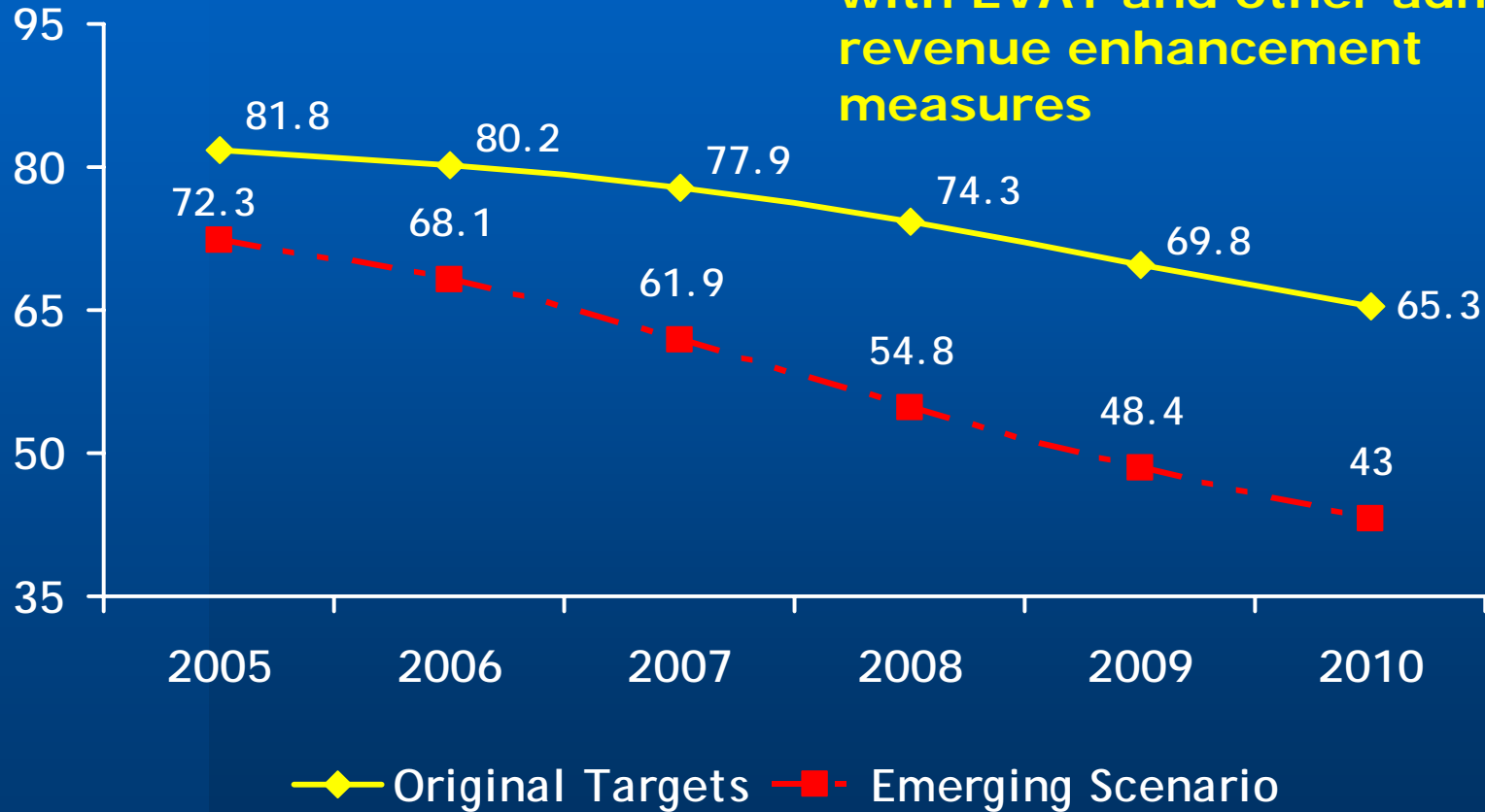
% of GDP



• NG debt cut to 43% of GDP by end-2010

% of GDP

with EVAT and other admin.
revenue enhancement
measures



**“Values are like fingerprints.
Nobody’s the same, but you
leave them all over everything
you do.”**

Elvis Presley